



1 February 2010

Review of regulated retail tariffs and charges for gas 2010-2013
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office
NSW 1230

by email: ipart@ipart.nsw.gov.au

RE: NON-TARIFF FEES AND CHARGES AND ORIGIN ENERGY'S VTPA

Origin appreciates the opportunity to provide further detail to the Independent Pricing and Regulatory Tribunal (IPART) in support of its draft voluntary transitional pricing arrangement (VTPA) for standing gas customers in the Albury/Moama and NSW Murray Valley districts (AMV), covering the period 1 July 2010 to 30 June 2013. This correspondence relates in particular to miscellaneous fees.

As outlined in Origin's initial draft submission of October 2009, Origin has been in the process of reviewing all fees and charges with a view to achieving some consistency across customer groups. Origin is now in a position to provide further detail on the proposed fees for gas customers on a standing contract in the Albury, Moama and NSW Murray Valley districts including:

- A late payment fee of \$12.00, charged to customers who do not pay within two days of the reminder notice (and who are not otherwise exempted); and
- A service administration fee of \$2.50, levied when Origin processes a request for a service provided by the gas distributor (Envestra).

Late payment fee

Origin incurs a range of costs when a customer fails to fulfil their contractual obligation to pay by the due date. The most significant costs relate to staff time required to respond to late payment, the cost of sending reminder letters, third party debt collection costs and call centre costs associated with handling late payment related calls.

In recognition of these costs, NSW Origin is currently permitted to levy a fee of \$10.63 on each bill where a standing gas customer in NSW fails to pay on time; however, Origin is not currently levying this fee. As a result, the broad customer base must meet the costs of the minority who pay late. Origin is now looking to introduce a cost reflective late payment fee covering standing gas customers in NSW.

Annual operating costs that relate to late payment in AMV were equal to \$ [REDACTED] in financial year 2009. These are itemised in Table 1.

Table 1. Operating costs associated with late payment for standing gas customers in AMV

| Cost | \$ per annum |
|---|--------------|
| Labour | [REDACTED] |
| Reminder/notification letters (postage, stationery, etc.) | [REDACTED] |
| Third party debt collection | [REDACTED] |
| Call transfer costs | [REDACTED] |
| Rental | [REDACTED] |
| Mgt overhead allocation | [REDACTED] |
| Unpaid disconnection fees | [REDACTED] |
| Cost of capital | [REDACTED] |
| Total | [REDACTED] |

In addition to the costs itemised above, Origin has estimated that administering the fee will involve a system build, of which \$ [REDACTED] would be allocated to the AMV gas customer base; however, as this is not an on-going cost, it has not been included. The annual incidence of late payment reminder notices in the AMV region is approximately [REDACTED], of which [REDACTED] would be exempted from fees because they are on payment plans, life support, pay within 2 business days of the reminder notice, or are otherwise excluded. This leaves [REDACTED] incidences of late payment where the fee would be levied. This equates to a payment fee of approximately \$ [REDACTED] per incidence. [REDACTED]

A portion of the above costs are included in the cost-to-serve figure provided to IPART in the initial VTPA submission. As a result, this equates to a decrease in the overall cost-to-serve for regulated customers in New South Wales of \$ [REDACTED]. The late payment fee would serve to allocate the cost of late payment to those parties whose actions give rise to these costs (with the exclusion of customers exempted on other grounds).

On the above basis, Origin seeks approval to levy a \$12.00 late payment fee on standing gas customers in the NSW MVA area when they fail to pay by the payment date on their bill.

Fee to cover costs of processing distribution services requested by customers

Payment for the bulk of distribution services on Envestra’s network in the AMV district is collected via distribution use of system charges, which Origin collects from its customers on behalf of the distributor. However, a range of ancillary services fall outside the framework of standard services. Envestra has seven ancillary services:

- Meter and gas installation test,
- Disconnection,
- Reconnection,
- Meter Removal,
- Meter reinstallation,

- Special Meter Reading - Metro, and
- Special Meter Reading - Non-metro.

In order to process these payments Origin provides a range of services, including:

- Receiving calls from customers to raise service order request to LNSP,
- Advising customers of charges associated with the service order,
- Processing service order exceptions,
- Processing service order completions,
- Raising fees on customer accounts,
- Generating customer bills, and
- Collecting the revenue.

Origin has in the past recovered the cost of processing these payments from customers on some market contracts. Origin is now proposing that it be permitted to recover these costs from standing gas customers in NSW. Initially, Origin had proposed a charge as a percentage of the fee charged by Envestra, up to a limit of \$20. However, Origin considers since the tasks required to process a request for service are similar regardless of which service is requested, it would be more cost reflective to assign a fixed fee that reflects these fixed costs. Origin has allocated costs to the processes described above and found a fee of \$2.50 per request. This is also in line with the fee Origin has recovered from customers on market contracts.

Other Fees

Origin has also had the ability to charge the following retail fees and charges under its current VTPA to Albury and Murray Valley gas customers:

- an Account Establishment Fee which Origin applies in the Albury and Murray Valley districts;
- Security Deposits that Origin has not applied in the Albury and Murray Valley districts as this point in time; and
- A Dishonoured Payment fee that Origin applies this fee to recover the costs incurred, including third party costs, associated with invalid payment.

Origin is not planning to extend the application of these fees at this point in time but proposes to retain the ability under the new VTPA. The quantum of these fees is set out below.

Table 2. Proposed 2010-11 Fees for Albury/Murray Valley districts

| Fee types | \$ incl GST* |
|---------------------------|---------------------|
| Account establishment fee | 33.94 |
| Security deposit | |
| Residential | 150 |
| Business | 420 |
| Dishonoured payment | 27.17 |

*No GST applies to Security Deposits

Origin also proposes that it retain the ability to apply an annual CPI adjustment to all retail miscellaneous charges within the new VTPA.

If you have any further questions in relation to this submission, please contact Patrick Whish Wilson on (07) 3867 0620 in the first instance.

Yours sincerely

A handwritten signature in cursive script, appearing to read "Bev Hughson".

Bev Hughson
National Manager Regulatory and Relationships